



COURT FILE NUMBER 24-2536824

COURT COURT OF QUEEN'S BENCH OF ALBERTA
BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE EDMONTON

PLAINTIFF NATIONAL BANK OF CANADA

DEFENDANT R.D.E. VENTURES INC.

DOCUMENT SECOND REPORT OF FTI CONSULTING CANADA
INC., IN ITS CAPACITY AS COURT APPOINTED
RECEIVER AND MANAGER OF CERTAIN
PROPERTY OF R.D.E. VENTURES INC.

October 19, 2020

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

RECEIVER'S COUNSEL
Blake, Cassels & Graydon LLP
3500, 855 – 2nd Street SW
Calgary, AB T2P 4J8
Kelly Bourassa / James Reid
Telephone: (403) 260-9697 / (403) 260-9731
Fax: (403) 260-9700
Email: kelly.bourassa@blakes.com /
james.reid@blakes.com

SECOND REPORT OF THE RECEIVER

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INTRODUCTION

1. On July 19, 2019, R.D.E. Ventures Inc. (“**RDE**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* (“**BIA**”) and The Bowra Group Inc. (the “**Trustee**”) was appointed as Proposal Trustee in the proceeding (the “**NOI Proceeding**”).
2. On August 16, 2019 (the “**Appointment Date**”), upon the application of National Bank of Canada (“**NBC**”), this Honourable Court lifted the Stay of Proceedings in the NOI Proceeding and the Honourable Justice Goss granted an order (the “**Receivership Order**”) appointing FTI Consulting Canada Inc. (“**FTI**” or the “**Receiver**”) as receiver and manager over certain assets, properties, and undertakings of the Company (the “**Property**”).
3. The Property subject to the Receivership Order includes all of the Company's Accounts, Goods, Inventory, and Personal Property, as such terms are defined in the *Personal Property Security Act*, RSA 2000, c P-7, and the Company's right, title and interest in 88 pieces of equipment as listed in Schedule A of the Receivership Order.
4. On September 27, 2019, the Receiver entered into a transaction to sell substantially all of the equipment assets included in the Property to Wolverine Equipment Inc. (“**Wolverine**”) for a purchase price of \$3.5 million (the “**Wolverine Transaction**”). The Wolverine Transaction closed on November 19, 2019.
5. On February 19, 2020, this Honourable Court granted an order authorizing and directing the Receiver to make an interim distribution to NBC in the amount of \$2.5 million (the “**First Interim Distribution Order**”) and, among other things, to maintain the following holdbacks:
 - a. a \$206,000 holdback (the “**Allspec Holdback**”) with respect to a property claim (the “**Allspec Claim**”) by Allspec Asphalt Inc. (“**Allspec**”);

- b. a \$400,000 holdback (the “**CRA Holdback**”) with respect to a deemed trust claim by the Canada Revenue Agency (“**CRA**”) for unremitted payroll source deductions owing by RDE (the “**CRA Claim**”); and
 - c. a \$126,000 holdback (the “**Garage Keepers’ Lien Holdback**”) with respect to four garage keepers’ liens (the “**Garage Keepers’ Liens**”) that were registered against certain units of the Property prior to the Appointment Date, but which registrations have subsequently expired and been discharged.
6. In conjunction with this Report (the “**Second Report**”), on October 19, 2020, the Receiver filed an Application returnable October 27, 2020 for an order (the “**Second Interim Distribution Order**”):
 - a. authorizing the Receiver to release the Allspec Holdback to RDE's estate;
 - b. declaring that the CRA Claim is valid and enforceable in the amount of \$399,165 and authorizing and directing the Receiver to pay the CRA Holdback to the CRA; and
 - c. authorizing and directing the Receiver to distribute the remaining funds in RDE's estate, less the costs to complete the administration of the estate, to NBC.
7. The purpose of this Second Report is to provide this Honourable Court with information with respect to the following:
 - a. the status of the Receivership proceedings, including the Receiver’s activities since the First Report of the Receiver dated February 10, 2020 (the “**First Report**”);
 - b. the Receiver’s evaluation of the CRA Claim;

- c. the Receiver's evaluation of the Allspec Claim and amounts reported as due from Allspec to RDE;
 - d. the status of the Garage Keepers' Liens;
 - e. a summary of the Company's interim statement of cash receipts and disbursements; and
 - f. the Receiver's application for the Second Interim Distribution Order.
8. This Second Report and other publicly available information in respect of these proceedings (the "**Receivership Proceedings**") are posted on the Receiver's website at <http://cfcanada.fticonsulting.com/RDEVentures>.

TERMS OF REFERENCE

9. In preparing this Second Report, the Receiver has relied upon unaudited financial information, other information available to the Receiver and, where appropriate, the Company's books and records and discussions with various parties (collectively, the "**Information**").
10. Except as described in this Second Report:
- a. the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and
 - b. the Receiver has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.

11. Future oriented financial information reported or relied on in preparing this Second Report is based on assumptions regarding future events. Actual results may vary from forecast and such variations may be material.
12. The Receiver has prepared this Second Report in connection with its application for the Second Interim Distribution Order and it should not be relied upon for any other purposes.
13. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined are as defined in the Receivership Order and First Report.

RECEIVER'S ACTIVITIES

14. Since the date of the First Report, the Receiver's activities have included, among other things, the following:
 - a. attending to correspondence with the Trustee, property claimants, the CRA and other creditors and stakeholders of RDE;
 - b. addressing inquiries from NBC in its capacity as the Company's senior secured lender on the Property;
 - c. administering repayment of the Receiver's borrowings to NBC;
 - d. distributing \$2.5 million to NBC pursuant to the First Interim Distribution Order;
 - e. reviewing and assessing the Allspec Claim, CRA Claim and Garage Keepers' Liens; and
 - f. preparing this Second Report.

ALLSPEC CLAIM

15. Upon appointment as Receiver, FTI was advised by Mr. Dean Eastman, former President of the Company, that certain of the Property was owned by Allspec, a related corporation controlled by Mr. Eastman, rather than by RDE, and should be excluded from the Receivership proceedings.
16. On November 28, 2019, after ongoing follow-up from the Receiver, Allspec filed a proof of claim in respect of certain of the Property (the "**Allspec POC**"). The Receiver was not able to accept the Allspec POC for reasons including insufficient evidence to substantiate the claim and the possibility of set-off against amounts reported as owing by Allspec to RDE.
17. Certain of the Property subject to the Allspec Claim was included in the Wolverine Transaction. Mr. Eastman agreed for the Receiver to sell the subject Property to Wolverine and that a portion of the purchase price allocated to those assets of \$206,000 would be held by the Receiver pending determination of entitlement. The corresponding Allspec Holdback was provided for in the First Interim Distribution Order.
18. The information received by the Receiver with respect to the Allspec POC has been sporadic and lacking organization. FTI has made extensive efforts to work with Allspec to resolve the matter and assist Mr. Eastman with identifying the appropriate documentation to support the Allspec POC. On numerous occasions Mr. Eastman did not respond to requests for information by the Receiver or did not attend scheduled meetings or appointments with the Receiver to go through any documentation with respect to the Allspec Claim.
19. A partial log of correspondence between the Receiver and Mr. Eastman or Allspec is attached as Appendix "A".

20. Based on its review of the Company's books and records and the partial information provided by Allspec, the Receiver has determined that Allspec has a valid property claim with respect to 10 of the 17 pieces of equipment subject to the Allspec Claim. The Receiver has not received sufficient documentation to support the Allspec Claim with respect to the remaining 7 units.
21. The Receiver estimates that the aggregate sales proceeds of the Wolverine Transaction relating to the equipment for which Allspec has a valid claim are \$118,000, based on the proportionate appraised values of the equipment included in the Wolverine Transaction
22. Prior to the Appointment Date, Management (as defined in the First Report), including Mr. Eastman, provided FTI with an unaudited balance sheet as at June 30, 2019, which showed a related party account due from Allspec to RDE of approximately \$736,000.
23. The Receiver has sought to collect this amount from Allspec and has been advised by the Chief Financial Officer of Allspec, Mr. Rob Stewart, who is also the former Chief Financial Officer of RDE, that Allspec disputes the amount owing to RDE. Mr. Stewart and Mr. Eastman advised FTI on multiple occasions that updated accounting would be provided to show that no amounts were owing by Allspec to RDE.
24. To date, despite numerous requests by FTI for records, no information or documentation has been provided by Mr. Stewart or Mr. Eastman, nor has any explanation been provided as to why that account would have been reduced subsequent to the June 30, 2020 unaudited financial statements.
25. Based on the forgoing, the Receiver is of the view that any valid portion of the Allspec Claim should be set-off against amounts reported as due by Allspec to RDE, and that the Allspec Holdback should be released to RDE's estate.

CRA CLAIM

26. Prior to the Receivership, Management reported that there were no amounts owing to the CRA by RDE for payroll source deductions and provided FTI with a CRA statement of account dated July 16, 2019, showing a nil balance owing.
27. In a letter dated November 7, 2019, the CRA advised the Receiver that it was asserting a deemed trust claim of \$399,165 relating to unremitted payroll source deductions owed by RDE for the period of January to August 2019 and a further unsecured claim of \$74,855 for employer remittances, fees and interest.
28. The Receiver, in conjunction with the Receiver's Counsel (as defined below), has reviewed the documentation provided by the CRA and is of the view the CRA Claim is valid and that the deemed trust claim is in priority to the NBC's secured debt. Accordingly, the Second Interim Distribution Order seeks a declaration that the CRA Claim is valid and enforceable in the amount of \$399,165 and authorizes the Receiver to pay the CRA Claim.
29. The Receiver was appointed over only approximately 20% of RDE's equipment assets at the Appointment Date. The Trustee's website shows there have been several enforcement proceedings taken by various other creditors to retrieve other property and assets of RDE that were the subject of these creditor's security.
30. Since the Receiver is paying the entirety of the CRA Claim, the Receiver is reserving its rights in law and equity to seek contribution from other creditors of RDE for their proportionate share of the CRA Claim.

GARAGE KEEPERS' LIEN CLAIMS

31. Upon being appointed, the Receiver was notified of the Garage Keepers' Liens, totaling approximately \$122,000, registered against three pieces of equipment subject to the Wolverine Transaction.

32. The First Interim Distribution Order provided for the Garage Keepers' Lien Holdback, pending a determination as to the validity and enforceability of the Garage Keepers' Liens.
33. The Receiver has been advised by its legal counsel, Blake, Cassels & Graydon LLP (the "**Receiver's Counsel**") that the Garage Keepers' Liens expired on February 15 and 16, 2020 and that they are no longer registered with the Alberta Personal Property Security Registry against the Property that was subject to the Garage Keepers' Liens.
34. Accordingly, the Receiver determined that the Garage Keepers' Liens no longer exist and the Garage Keepers' Lien Holdback was released to the estate for distribution in accordance with the First Interim Distribution Order.

SUMMARY STATEMENT OF RECEIPTS AND DISBURSEMENTS

35. The Receiver's cash receipts and disbursements in respect of the Property from the Appointment Date to October 16, 2020, are summarized as follows:

Schedule of Receipts and Disbursements
For the period of August 16, 2019 to October 16, 2020
\$000's

Receipts	
Sale of Assets	\$ 3,464
Receiver's Borrowings	150
Auction Proceeds	55
Total - Receipts	3,669
Disbursements	
Interim Distribution to NBC	(2,500)
Repayment of Receiver's Borrowings	(150)
Receiver's Fees	(196)
Legal Fees	(66)
Operating Expenses	(46)
Taxes Paid	(9)
Bank Fees	(4)
Total - Disbursements	(2,971)
Net Cash on Hand	\$ 698

- a. Sale of Assets relates to the cash proceeds from the Wolverine Transaction, net of closing adjustments;
- b. Receiver's Borrowings are amounts that were advanced to the Receiver by NBC to fund the Receivership Proceedings and have since been repaid;
- c. Auction Proceeds relate to the net sales proceeds collected from an auctioneer in respect of a piece of equipment that was sold at auction immediately prior to the Appointment Date;
- d. Interim Distribution to NBC was made pursuant to the First Interim Distribution Order;
- e. Receiver's Fees relate to FTI's fees and disbursements in respect of the Receivership Proceedings;

- f. Legal Fees relate to Receiver's Counsel's fees and disbursement in respect of the Receivership Proceedings;
- g. Operating Expenses relate to expenses incurred by the Receiver to secure and preserve the Property including bailiff fees, transportation costs, storage fees and related disbursements;
- h. Taxes Paid are for amounts paid on goods and services provided to the Receiver and include GST remittances and refunds from the CRA; and
- i. Bank Fees and Interest relate to the estate bank accounts and interest paid on the Receiver's Borrowings.

36. As at October 16, 2020, the Receiver holds approximately \$698,000 of cash on hand.

SECOND INTERIM DISTRIBUTION

37. As described in the First Report, the Receiver's Counsel completed an independent review of the security held by NBC over the Property and opined that the security granted by RDE in favour of NBC is valid and enforceable, subject to standard qualifications.

38. The Second Interim Distribution Order seeks for the remaining estate funds to be distributed as follows:

- a. a distribution in the amount of \$399,164.47 to the CRA in satisfaction of the CRA Claim; and
- b. distribution of the remaining funds, net of costs to complete the administration of the Receivership Proceedings, to NBC.

39. The estimated net proceeds available for distribution to NBC is set out in the table below:

Proposed Second Interim Distribution	
As at: October 16, 2020	
<i>\$000's</i>	
Cash on Hand	\$ 698
Less:	
Payment of CRA Claim	399
Estimated Costs to Complete	50
Estimated Net Cash Available for Distribution to NBC	\$ 249

40. The estimated costs to complete the administration of the Receivership Proceedings are largely comprised of accrued professional fees of the Receiver and Receiver's Counsel and costs to complete the administration of the estate. In addition, there is a contingency for unforeseen costs and for fees if the Receiver pursues any claim for contribution from other creditors of RDE in respect of the CRA Claim.

RECEIVER'S CONCLUSION AND RECOMMENDATION

41. Based on the forgoing, the Receiver respectfully recommends that this Honourable Court grant the Second Interim Distribution Order.

All of which is respectfully submitted this 19th day of October 2020.

FTI Consulting Canada Inc.
in its capacity as Receiver
of the Property



Tom Powell
Senior Managing Director

Appendix A - Partial Log of the Receiver's Correspondence with Allspec

Below is a summary of the events with respect to the Allspec Property Claim including those prior to the date of the First Report:

Date	Description
Prior to Appointment Date	FTI in its capacity as advisor to NBC was provided with an unaudited balance sheet for RDE as at June 30, 2019, which reflected \$736,244.00 owing from Allspec to RDE.
August 15, 2019	FTI was advised by Mr. Eastman that some of the Property included in the Receivership application materials included equipment belonging to Allspec
August 16, 2019	Receivership Order was granted appointed FTI Consulting Canada Inc. as Receiver over the Property as listed in the application materials.
August 18, 2019	Receiver requested proof of property claim from Allspec Over following month Allspec provided miscellaneous documents to the Receiver in support of property claim, however no Form 74 was completed.
September 30, 2019	Receiver provided form of Form 74 to Allspec, requesting full and complete support for property claim. Form of document included a Schedule A which listed the equipment previously noted to be subject to property claim.
November 5, 2019	Allspec requested adjustment to Schedule A, reducing number of pieces of equipment to 17. Receiver provided form of Form 74 with updated Schedule A.
November 28, 2019	Allspec provided complete Form 74 with support for some equipment. In the Receiver's view the support included with Form 74 was sufficient for 10 of the 17 pieces of equipment. No further correspondence from Mr. Eastman prior to our Feb 19 application. Receiver was advised by Wolverine that they allocated \$206,000 of value to the equipment subject to the Allspec Claim. The Receiver agreed with Mr. Eastman that the Receiver would holdback this amount, pending determination of entitlement, from its Interim Distribution to NBC.
February 19, 2020	Receiver emailed Allspec to schedule meeting to resolve Allspec Claim.
March 2, 2020	Receiver and Allspec schedule meeting for March 5. Receiver circulated agenda of outstanding items with respect to Allspec Claim.
March 5, 2020	Only Rob Stewart, Allspec accountant, was able to attend. Mr. Stewart advised that he would provide updated balance sheet for Allspec to determine the exact amount owing from Allspec to RDE. Scheduled follow up meeting for March 16.
March 16, 2020	Meeting was re-scheduled as Mr. Stewart was unable to attend his office due to COVID. Meeting was re-scheduled to March 30.
March 30, 2020	Prior to meeting, the Receiver circulated meeting agenda to summarize outstanding items. Neither Mr. Eastman or Mr. Stewart dialed into conference call.

April 28, 2020 Receiver emailed Allspec requesting another meeting to resolve outstanding items.
Allspec responded asking for Receiver's availability over the following week.

May 5, 2020 Receiver proposed May 8 meeting.
No response from Allspec on proposed meeting date.

June 14, 2020 Receiver email Allspec requesting meeting on June 18.
Allspec responded to propose call for June 25
Receiver responded to confirm the time Allspec was available on that date.
No further response sent by Allspec.

June 27, 2020 Receiver proposed June 27 or 28 meeting.
No response from Allspec on proposed meeting date.

July 7, 2020 Receiver called Mr. Eastman to schedule meeting on July 9.

July 9, 2020 Neither Mr. Eastman or Mr. Stewart dialed into conference call.

July 14, 2020 Receiver called Mr. Stewart to schedule meeting on July 16.

July 16, 2020 Prior to meeting, the Receiver circulated meeting agenda to summarize outstanding items.
Allspec advised during meeting that Allspec balance sheet was being brought current and it now appeared balance owing between Allspec and RDE had reversed. However, no reference to size of new inter-company balance.
Scheduled follow up meeting for July 23.

July 23, 2020 Allspec advised reversal of inter-company balance was due to another related party, DERM Ventures
Allspec advised they expected to finalized updated balance sheet in coming week and would circulate before next meeting.
The RDE balance sheet provided to FTI Consulting prior to the Appointment Date also included balance owing from DERM Ventures to RDE.
Scheduled follow up meeting for July 30.

July 30, 2020 Neither Mr. Eastman or Mr. Stewart dialed into conference call.
Receiver set meeting invite to re-occur weekly.

August 6, 2020 Neither Mr. Eastman or Mr. Stewart dialed into conference call.